

**CITY OF NEWTON, MASSACHUSETTS**

**MANAGEMENT LETTER**

**JUNE 30, 2007**





Certified Public Accountants

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To the Honorable Board of Aldermen and Mayor  
City of Newton, Massachusetts

In planning and performing our audit of the financial statements of the City of Newton, Massachusetts (City) as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the conditions identified in our *Report on Internal Control Over Financial Reporting*, dated October 25, 2007, represent material weaknesses.

During our audit we also became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and recommendations concerning those matters are summarized in the memorandum that accompanies this letter. This letter does not affect our report dated October 25, 2007 on the financial statements of the City.

The City's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Audit Committee, Board of Aldermen, Mayor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Zullin, Ray & Company, LLC*

October 25, 2007

CITY OF NEWTON, MASSACHUSETTS

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## Comments and Recommendations

### Health Insurance Risk Financing Activities

#### Comment

The City currently contracts with Tufts Health Plan (Tufts) and Harvard-Pilgrim Health Care (Harvard) for administration of its self insured health plans. The activities of the two health plans are accounted for in separate internal service funds on the City's general ledger. We identified the following regarding the City's health insurance risk financing activities:

1. The City has historically estimated its year-end Incurred But Not Reported (IBNR) claims liability based on two months average claims experience. As part of our audit procedures, we tested the accuracy of the fiscal year 2006 estimated IBNR claims liability by requesting detailed claims run off data from the two health claims administrators. The results of our procedures identified that the prior year estimate was overstated by approximately \$1,916,000 for the Tufts plan and \$526,000 for the Harvard Plan.

Based on this analysis, the City has adjusted the June 30, 2007 IBNR claims accrual from two months average claims experience to one and one half months average claims experience.

2. Several years ago the City adopted and implemented an informal policy (for the Tufts plan) that targeted claims reserves of approximately two months average claims experience as protection against claims after annual health insurance premiums had been set. Such a policy has not been adopted for the Harvard plan.

#### Recommendation

We recommend that the City implement procedures to retrospectively evaluate the prior year estimated IBNR claims accrual and recommend that the results of the retrospective evaluations be considered when calculating the estimated IBNR claims accrual.

We recommend that the City consider the adoption and implementation of a reserve policy for the Harvard plan. We also recommend that the claims reserve policies be formally adopted.

We recommend that the City consider current and projected year-end claims reserves when setting future year health insurance premiums.

#### Management's Response

The Comptroller is in full agreement with the recommendation that the annual IBNR liability be based upon a retrospective review of actual paid claims. Claims run-off reports will be requested from both third party administrators at the conclusion of each fiscal year and the year end IBNR will be based upon actual experience for the previous fiscal year.

It has been our policy for several years to build reserves in both the Tufts and Harvard trust funds over and above the IBNR reserves. Accordingly, we have set rates for these plans that allow for the accumulation of such reserves. The difference between the two funds is that claims experience in the Tufts fund has been more favorable, thereby allowing the accumulation of larger reserves. Management will continue to set health insurance rates to meet annual rate projections, target reasonable reserves for IBNR and additional reserves, and keep them at levels that are reasonably affordable for the City and its employees.

## **Collective Bargaining Agreements**

### Comment

Collective bargaining agreements (CBA) document the terms and conditions of employment between the City and various employee groups, unions, etc. Typically, these agreements are renegotiated every three years.

We identified that when the City renegotiates a CBA, a fully updated and complete CBA is not executed. Instead, Memorandums of Agreement (MOA) are written that details the changes from the original CBA.

### Recommendation

We recommend that the City evaluate the need to execute a full and complete CBA each time a negotiated contract is settled. The CBA's should be maintained in electronic format (word) so when a re-negotiation occurs, the electronic file can simply be updated for any changes. As a result, a full and complete CBA will be maintained in one document at all times.

### Management's Response

The City and its unions settle labor negotiations based on Memoranda of Agreements (MOAs) that outline essential changes in contract terms. We have rewritten collective bargaining agreements with the three unions with which we currently have settled contracts through FY2009 in written and electronic form. Our preference is to have fully executed contracts.

## **Police Details**

### Comment

The City does not have formal policies and procedures for funding uncollectible police detail accounts receivable. Based on our review of the June 30, 2007, Outstanding Police Detail Bills report, there is approximately \$89,000 of accounts receivable that are greater than one year old. In addition, approximately \$51,000 of this amount consists of accounts receivable from one company that is now bankrupt.

### Recommendation

We recommend that the City develop and implement formal policies and procedures for the timely funding of uncollectible police detail accounts receivable.

### Management's Response

The Mayor's Office will take the auditors' recommendation into consideration and work with the appropriate departments on determining when to fund such deficits.



## **Parks and Recreation Cash Receipts**

### Comment

We evaluated the internal controls surrounding the Parks and Recreation Department's cash receipts process and identified the following:

- With the exception of swim facilities, individual program managers collect cash receipts and maintain the records of participants in their respective programs. The current process does not adequately segregate duties and, as a result, there is an increased risk that fraud could occur and go undetected.
- Pre-numbered registration forms are not utilized, which increases the risk that fraud could occur and go undetected since there is no method to reconcile cash receipts to completed participant registration forms.

In addition, the Department utilizes Sportsman software to track the various types of swim programs and their participants, as well as the cash receipts related to each program. This software is not utilized for any of the Department's other programs.

### Recommendation

We recommend that the Department properly segregate the duties of the initial handling of cash receipts from maintenance of program attendance records.

We recommend the use of pre-numbered registration forms.

We recommend that the Department consider expanding the use of Sportsman software to include all programs.

### Management's Response

The Parks and Recreation Department is in agreement with this recommendation and will be working with the Comptroller to further document procedures and implement improvements over the next 90 day period.

## **Betterment Applications**

### Comment

The Department of Public Works' betterment applications are not pre-numbered, which increases the risk that fraud could occur and go undetected since there is no method to reconcile cash receipts to completed betterment applications.

### Recommendation

We recommend the use of pre-numbered betterment applications. We also recommend that an employee not involved in the processing of applications be responsible for maintaining the sequence of application numbers.

### Management's Response

The Department of Public Works agrees. Permit codes will be now be assigned to each betterment application. These codes will be automatically generated via our database program and include a time stamp when the entry is made.

## **Parking Meters**

### Comment

Our prior year management letter identified the following deficiencies related to the City's parking meter collection process:

1. Collections (coins) are unsecured from the time the meter is opened until the time the collections are delivered to the Treasurer/Collector's office.
2. A set of keys (used to open the parking meters) are maintained at an employee's home.

During fiscal year 2007, procedures were implemented to adequately safeguard the parking meter keys.

The City also investigated alternatives to the current parking meter collection method. However, no action has been taken.

### Recommendation

We recommend that the City continue its evaluation of new parking meters to strengthen the internal controls surrounding the parking meter collection process.

### Management's Response

The Department of Public Works continues to evaluate mobile lock box options and delivering collections directly to the bank. Alternatives are also being considered for both lot based and on-street automated parking meter collection systems.

## **Student Activity Funds – Newton South High School**

### Comment

We evaluated the Newton South High School's (NSHS) system of internal control surrounding the student activity funds and identified the following deficiencies:

1. There is no process in place to reconcile the total individual student activity fund balances (maintained by the NSHS in Quickbooks) to the book balances of the student activity fund checking and agency bank accounts. Currently, a quarterly reconciliation between the individual student activity fund balances, the checking bank account and the agency balance per *Finance Plus* (the City's general ledger) is prepared. This reconciliation should utilize the book balance of the agency bank account; not the agency balance per *Finance Plus*. The current process does not provide assurance that all student activity fund activity has been recorded properly. In addition, at June 30, 2007, the quarterly reconciliation includes an unlocated variance of approximately \$500.
2. A reconciliation of deposits posted to Quickbooks and deposits made to the agency bank account is not performed. Currently, a reconciliation of deposits posted to Quickbooks are traced to *Finance Plus* rather than to the agency bank account, which, according to discussions with School Department personnel, is partially due to the Newton South High School not receiving a copy of the agency bank statement. Lack of this procedure does not provide assurance that all student activity fund deposits have been recorded properly.
3. Transactions (which would decrease individual student activity funds) totaling approximately \$123,000 have not been posted to the applicable individual student activities in Quickbooks. As a result, individual student activity fund balances as reported in Quickbooks are incorrect.
4. We were provided with a copy of the checking account bank statement for the month of June together with a Quickbooks reconciliation of the account (as of June 30, 2007) dated July 12, 2007. On October 2, 2007, we obtained a balance sheet from Quickbooks that identified a different balance of the checking account as of June 30, 2007. This is the result of posting transactions dated prior to July 1, 2007, subsequent to the reconciliation of the checking account. Posting transactions to a reconciled period is a weakness in internal control.
5. We identified many individual funds maintained in the student activities fund that do not appear to be student activities (i.e., sunshine fund, copy machine receipts, AP exams, lab fees, etc.).
6. Several instances where the descriptions of disbursements (as recorded in Quickbooks) did not correlate with the actual disbursement. Transactions should be described appropriately in all accounting records.
7. Five individual fund deficits, totaling approximately \$358, exist at June 30, 2007. Please note that this total does not include the allocation of the unposted transactions referred to in item number 3 above.

### Recommendation

We recommend that procedures be implemented to reconcile the total individual student activity fund balances to the total book balances of the checking and agency bank accounts.

We recommend that procedures be implemented to reconcile deposits posted to Quickbooks to the deposits made to the agency bank account.

We recommend that the current transaction amounts totaling approximately \$123,000 be posted to the applicable individual student activity funds. We recommend that all future transactions be posted to the applicable individual student activity funds.

We recommend that all reconciliations be prepared by the end of the following month and that no subsequent transaction be posted to the previous month.

We recommend that all of the individual student activity funds currently maintained in Quickbooks be evaluated to determine if they are truly student activities. For individual funds that do not meet the criteria, the School Department should work with the City Comptroller to determine the appropriate accounting for the funds and the process to remove them from the student activities fund. We also recommend that the School Department develop and adopt a policy adding an individual activity to the student activity fund.

We recommend that all transactions recorded in Quickbooks include the appropriate description.

We recommend that the individual fund deficits be investigated and appropriately resolved. We also recommend that procedures be implemented to prevent deficit spending in individual student activity funds.

We recommend that the City consider the cost/benefit of purchasing software geared towards student activity fund accounting.

#### Management's Response

During FY 07 the NSHS Student Activity accounts were reviewed by high school staff and the Business Office staff, updated in Quickbooks software, and reconciled periodically between the fund balances in the school checking account and the city agency fund. Work is continuing in FY 08 to improve the reconciliation methods, to perform more timely accounting entries and reconciliations, and to create procedures for verifying deposits, to maintain positive balances and to review individual funds for appropriate inclusion in the high school student activity fund.

## Cash Receipts – School Lunch Program

### Comment

We evaluated the system of internal control surrounding the school lunch program's cash receipts process and identified the following deficiencies:

#### *High Schools*

1. There are no procedures in place to ensure that students who are eligible to receive free or reduced lunch only receive one lunch per day. Currently, the cashiers at these schools verify (via the school lunch software program) the students' names and applicable lunch statuses (i.e., free, reduced, or full price) when cashing the students out at the registers. Since there are several lunch lines at each of these schools, students who receive free or reduced lunch have the ability to go to different lines in the same day. As a result, these students could potentially receive more than one free or reduced lunch on any given day.

#### *Elementary Schools*

2. Although some parents mail in school lunch payments to the food service office, students often bring lunch money to school with them and give it to their homeroom teachers. However, in some schools the money is just placed in envelopes that are taped on the classroom doors. In these schools, the students and teachers have access to these envelopes and know that they contain the cash payments. This process does not properly safeguard assets.
3. Bank deposits are made approximately twice a month. The lack of timely deposits not only increases the risk of theft, misplacement, or misappropriation, but has a negative impact on cash flows and investment income and potentially delays the cash reconciliation process, which negatively impacts the financial reporting process.

#### *All Schools*

4. The Food Services Director is responsible for making the daily (except for the elementary schools as identified above) deposits for all school lunch programs. At times, these deposits can be as large as \$85,000.

### Recommendation

#### *High Schools*

We recommend the implementation of a process whereby the lunches served to students receiving free and reduced lunch can be simultaneously tracked by each employee working a cash register.

#### *Elementary Schools*

We recommend that school lunch money brought in by students be given directly to the applicable homeroom teacher. We also recommend a process whereby an employee picks up the school lunch money from each homeroom teacher at the start of every school day.

We recommend that the Food Services Director deposit the elementary school lunch receipts daily (similar to the secondary schools' process).

### *All Schools*

We recommend that management consider the cost/benefit of having a courier or police escort assist in making the daily deposit.

### Management's Response

High schools – The Newton Public Schools have implemented computerized point of sale software. This system, called Lunchbox, is set up so that no student can get two meals without a notification to the cashier. If a student wants to purchase a second meal at any station, the system asks the cashier “do you want to sell a second meal?” If yes, the system will automatically not claim the second meal for reimbursement.

Elementary schools – As of September 2007 all envelopes containing cash are collected by the teacher. Once the envelopes are collected they are transported by the teacher to a designated secure location for the food service manager to collect.

District – Money comes into the Elementary central location throughout the month. In order to process the menus by school, a lockable mailbox system is used in a secure location. Twice a month a deposit is taken to the bank by the food services director.

## **Student Activity Funds – Elementary Schools**

### Comment

The City's elementary schools have not adopted the student activity fund law as defined in Chapter 66 of the Acts of 1996 (Act). In summary, the Act requires the following:

- The School Committee to authorize School Principals to receive funds in connection with the administration of student activities.
- Student activity funds to be deposited with the Treasurer into a separate interest bearing account (Student Activity Agency Account).
- Interest earned on the Student Activity Agency Account to be retained by the fund and disbursed at the discretion of the School Committee.
- In addition to the Student Activity Agency Account, the School Committee may authorize School Principals to establish a separate checking account (Student Activity Checking Account), which may only be used to disburse funds for the exclusive benefit of student activities.
- The School Committee to establish a maximum amount to be maintained in the Student Activity Checking Account.
- Funds, up to the maximum amount authorized by the School Committee, to be transferred from the Student Activity Agency Account to the Student Activity Checking Account (via the City's warrant process) to initially fund the Student Activity Checking Account.
- Periodically and to the extent funds are available in the Student Activity Agency Account, the City to reimburse the Student Activity Checking Account through the City's warrant process.

### Recommendation

We recommend that all student activity funds be maintained in accordance with the Act.

### Management's Response

Elementary school needs for student activity accounts are under review in order to determine which of the fifteen elementary schools will require separate accounts for student income and expenditures.



## **Old Outstanding Checks**

### Comment

The vendor and payroll outstanding checklists maintained by the Treasurer include many checks greater than three (3) months old totaling approximately \$547,000. Typically, checks greater than three (3) months old reflect checks that have been void, lost, misplaced or stolen. There is currently no process/procedure in place to investigate and resolve the status of these checks.

### Recommendation

We recommend that the Treasurer/Collector's office implement monthly procedures to investigate and resolve outstanding checks greater than three (3) months old. Implementation of this recommendation will strengthen internal controls over cash disbursements.

### Management's Response

We agree with the recommendation and we will work on this item. We have closed an old Bank of America payroll account in November 2007 and will be working on the old outstanding list.

The City has incorporated through collective bargaining with several unions the requirement that new employees are required to have direct deposit. The City will continue to negotiate with the other unions to include this requirement. The goal is over time to have all payroll paid by direct deposit

## **Unauthorized Bank Accounts Using the City's Tax Identification Number**

### Comment

We identified 21 bank accounts that are using the City's tax identification number that are not authorized by the Treasurer. Usually these accounts represent quasi-governmental organizations, such as parent teacher organizations, booster clubs, etc. However, since these accounts are maintained under the City's tax identification number, the City is at risk if fraudulent activities were to occur in any of these accounts. Additionally, the Treasurer should have signature authority on all bank accounts maintained under City's tax identification number and the activity related to the bank accounts should be recorded on the general ledger.

### Recommendation

We have provided a list of the unauthorized bank accounts to the Treasurer/Collector. We recommend that the Treasurer/Collector contact the related banks to begin the process of closing all of the unauthorized bank accounts.

### Management's Response

We agree and are working with the auditor provided list of 21 bank accounts. 3 accounts are already on the City's records, 8 accounts have been closed, 2 petty cash accounts are being put on the City books with the approval of the Comptroller. The remaining 8 bank accounts are all at a local bank. The bank is notifying the account holders individually and we are waiting for a response from the bank.

## **Financial Policies and Procedures Manual**

### Comment

We believe that preparation of a formal policy and procedures manual would improve and standardize the City's financial policies and procedures. Without formalized written policies and procedures, the City is inherently subject to everyday inconsistencies in its operations. It is also difficult to measure performance and efficiencies without a baseline. The number of such inconsistencies can be minimized by the written codification of policies and procedures and insistence on adherence to them.

Such a manual should include policies and procedures relative to all financial functions and processes, including, but not limited to, the following:

- Cash receipts
- Purchase orders
- Cash disbursements
  - Payroll
  - Vendor
- Administration of grants
- Administration of student activity funds
- Personnel (i.e., hiring, payroll and related changes, etc.)
- Month-end and year-end closing procedures

The manual should also clearly define the objectives, responsibilities and authorizations for all employees/job positions.

The use of written policies, procedures, and job descriptions in conjunction with specific assignment of responsibilities would increase supervisory personnel's effectiveness. Such written documents would decrease the time spent on supervision of clerical personnel and in attempts to define job responsibilities on each occasion of employee turnover.

### Recommendation

The Comptroller has drafted a set of financial policies that have been submitted to the Mayor and Board of Aldermen.

We recommend that the City continue to work towards a formalized policies and procedures manual.

### Management's Response

In addition to the recommended financial management policies that have been submitted to the Mayor and Board of Aldermen, the Comptroller has completed detailed written month-end; quarter-end; and year-end closing check lists in order to document closing procedures. Documentation of accounting and financial reporting procedures will continue over the course of the next year.

## **Risk Assessment and Monitoring**

### Comment

When internal controls are *initially* implemented, they are usually designed to adequately safeguard assets. However, over time, these controls can become ineffective due to changes in technology, operations, etc. In addition, changes in personnel and structure, as well as the addition of new programs and services, can add risks that previously did not exist. As a result, all municipalities must periodically perform a risk assessment to anticipate, identify, analyze and manage the risk of asset misappropriation. Risk assessment (which includes fraud risk assessment), is one element of internal control.

The risk assessment should be performed by management-level employees who have extensive knowledge of the City's operations. Ordinarily, the management-level employees would conduct interviews or lead group discussions with personnel who have knowledge of the City's operations, its environment, and its processes. The risk assessment process should consider the City's vulnerability to misappropriation of assets. It should also address operations that involve heightened levels of risk. When conducting the assessment, the following questions should be considered:

- What assets are susceptible to misappropriation?
- What departments receive cash receipts?
- What departments have movable inventory?
- What operations are the most complex?
- How could assets be stolen?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could potential misappropriation of assets be concealed?
- What prior internal control issues could still continue to be problematic?

Once the areas vulnerable to risks have been identified, a review of the City's systems, procedures, and existing controls related to these areas should be conducted. The City should consider what additional controls (if any) need to be implemented to reduce risk.

After risk has been assessed, periodic monitoring of the identified risk areas must be performed in order to evaluate the controls that have been implemented to mitigate the risks. Since control-related policies and procedures tend to deteriorate over time, the monitoring process ensures that controls are fully operational and effective.

### Recommendation

We recommend that management develop and implement a risk assessment program to periodically anticipate, identify, analyze, and manage the risk of asset misappropriation. The risk assessment program should be formally documented and become part of the City's financial policies and procedures manual.

We recommend that management develop and implement a monitoring program to periodically evaluate the operational effectiveness of internal controls. The monitoring process should be documented in order to facilitate the evaluation of controls and to identify improvements that need to be made.

### Management's Response

The consideration of this recommendation is ongoing.

## **Develop and Document a Disaster Recovery Plan**

### Comment

The City has a documented disaster recovery plan that addresses its financial data and related software. However, the plan does not address the hardware required to access the data or the location to operate the hardware. Therefore, in the event of a disaster the City's financial data and software could be recovered, but the City would not have the ability to physically run the software and access the financial data to maintain financial operations.

A well-thought out and documented disaster recovery plan would assist City personnel act quickly and appropriately at a time when the stress and disruption of a disaster might adversely affect their memory, emotions, and judgment. It would also help others take charge in place of managers who might be unavailable at the time of the crisis. In addition, while developing the plan, management personnel could take the opportunity to reassess the adequacy of its property insurance.

### Recommendation

We recommend that management include the hardware required to access financial data and the location to operate the hardware in the current disaster recovery plan.

### Management's Response

The Mayor has indicated that purchasing a back-up server is part of the initiatives he would undertake if an override passes.

## **New Accounting and Financial Reporting Requirements for Post-Employment Benefits Other Than Pensions**

### Comment

The City provides post-employment benefits (i.e., health insurance) to its qualified retirees. Consistent with other Massachusetts municipalities, the City's OPEB expenditures are financed on a pay-as-you-go-basis from annual appropriations and the City's current financial statements do not report the financial impact of OPEB until the benefits are paid. During fiscal year 2007, the City had 2,384 retirees and/or survivors that received such benefits. For the year ended June 30, 2007, the cost of these benefits totaled approximately \$13,521,000.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes the standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related assets, liabilities, note disclosures and required supplementary information in the audited financial statements of state and local governments. As part of determining OPEB amounts and disclosures, the Statement requires, at a minimum, a biannual OPEB actuarial valuation.

Implementation of this statement will improve financial reporting by:

- Recognizing the cost of benefits in periods when the related services are received by the employer
- Providing information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded
- Providing information useful in assessing potential demands on the employer's future cash flows.

Given the significant dollars spent on the City's OPEB plans, the measurement of OPEB under the new standard will have a significant impact on the City's financial statements. The City's required implementation date of GASB Statement No. 45 is fiscal year 2008.

For the past several years the City has had an annual actuarial valuation performed for its OPEB liability. At June 30, 2007, the actuarially determined present value of earned OPEB totals approximately \$392,730,000. In addition, if the City was amortizing this liability over a 30-year period (which it will begin to for financial statement purposes in fiscal year 2008), the fiscal year 2007 annual required contribution would have totaled \$32,330,000. The difference between this amount and the actual amount paid by the City during fiscal year 2007 totals \$18,809,000.

### Management's Response

The City has arranged for an actuarial valuation of its OPEB liability since 2001 and will comply fully with the accounting and financial reporting requirements of GASB statement 45 in our June 30, 2008 CAFR. Any change in OPEB funding requires approval of the mayor and board of aldermen.